

## **-Work Group Report-**

When discussing Michigan's economic environment we looked at where the economy is going. The economy of tomorrow will have less of the traditional manufacturing base and more intellectual and technology based services. For example, computer software may only include a couple dollars of physical manufactured product, but be valued at several hundred dollars. If this is the future, then we need to focus on how to attract and/or grow these types of jobs in Michigan. Our research and discussions led us to several conclusions.

1. The economy of the future is much more mobile. Traditional economic activity such as manufacturing required a very large investment in physical infrastructure. This made these operations more difficult to relocate. The future economy is much more mobile and much more talent focused. Young talented professionals are becoming more and more drawn to a place, rather than to a job. 31% of college students in Michigan surveyed said they would first look for the place they want to live, and then look for a job in that location.<sup>1</sup> Since the talent is mobile, Michigan must have places where talent wants to live.

Places that attract and retain young talented individuals will have a vibrant and walkable downtown, many recreational opportunities, trail and park networks, museums and art displays, safe communities, vibrant nightlife, and a strong transportation system (this can include accessible bus, train, air as well as roads). Transportation assets, both public and private, are a factor in determining how competitive a region is.

Talented individuals are more mobile than ever, but they cannot live very long in a place without a job and, thus, may be unwilling to include in their consideration set areas lacking in job growth. Job growth and availability are also necessary to retain the talented individuals. To attract and retain talented people regions need to offer both job opportunities and vibrant communities. Economic development strategies must address both of these issues to maximize success.

The state can help create these types of communities by giving locals as many tools as possible, making strategic investments in physical infrastructure, encouraging public/private partnerships, encouraging philanthropic activity, and by providing a stable environment that local governments and entrepreneurs can trust.

2. Economic growth is not municipality or county specific, it is regional. Currently many municipalities and counties try to attract new businesses to their location, but if they are successful the benefits are not limited to that one location. Similarly when looking for a place to locate, businesses look at the communities surrounding their potential location knowing that their employees will be living in a variety of these communities. We have done some work in the area of consolidating services to offer taxpayers the best service at the lowest price, but we

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<sup>1</sup> "Keeping College Graduates in Michigan." Michigan Colleges Foundation, 13 Apr. 2011.

should also explore how municipalities and counties can work together better to foster regional economic growth. Should there be a mechanism for locals to share in revenue that is created by regional growth?

3. Energy costs can vary significantly from state to state and region to region. Michigan has the 10th most expensive electric rates and 29th most expensive natural gas rates in the United States. By comparison Indiana has the 2nd cheapest electric rates and 18th cheapest natural gas rates.<sup>2</sup> Further research into how energy costs affect the decision making of companies when they are deciding where to locate is needed.

4. In the modern economy when we are competing globally for talent we need to be more understanding and welcoming of people who have different cultures, traditions, orientations, and ethnicities that differ from that of the majority in our state. Government can raise awareness and lead by example in this area.

5. Government plays a vital role in creating a system of public goods, which include public safety, a functioning legal system, public education, and providing protection for the environment and public health. State and local governments should adopt a culture that seeks to continuously improve how they provide these services in order to return the greatest possible value to the public and the economy. Creating a system that maintains a proper balance is an issue that will be the subject of continuing debate. Public private partnerships and strategic research investments are examples of areas where government can encourage growth without limiting the free market.

6. Boarder areas of our state face a unique situation that other areas do not face. For example, certain areas in the UP near Wisconsin do not get Michigan TV stations through cable. Because the way the FCC determines market areas, these regions can only access Wisconsin local television. Other issues such as differences in liquor laws, construction codes, truck load limits, and criminal laws all create special sets of circumstances for boarder regions.

#### Recommendations:

1. This committee, or a sub-group of this committee, could have a town hall tour around the state to listen to the concerns of different business, ethnic, age, and education groups and other interested individuals and groups on the specific barriers they encounter and ideas they have to solve these issues.

2. Work with leaders from border communities to discuss and possibly draft legislation to address specific issues caused by differences between Michigan and our neighbors.

3. Engage stakeholders to develop a more regionally focused economic development system. Local governmental agencies may be able to better serve their citizens by consolidating services

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<sup>2</sup> U.S. Energy Information Administration, n.d. Web. 8 Mar. 2013. <<http://www.eia.gov/state/rankings/?sid=MI>

and sharing in the benefits of regional growth. Also encourage municipal and county governmental economic development agencies to work with the local public-private economic development agency.

**Conclusion:**

By creating vibrant places, being more regionally focused, and containing energy costs Michigan can be better positioned to attract businesses and talented individuals which will drive economic growth.